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QUINTEK TECHNOLOGIES INC
Form 10KSB/A
July 18, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

AMENDMENT No. 1 to

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended: June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-28541

QUINTEK TECHNOLOGIES, INC.

(Name of Small Business Issuer in its charter)

California

77-0505346

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

17951 Lyons Circle
Huntington Beach, CA 92647

(Address of principal executive offices)

Issuer's telephone number: 714-848-7741

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, no par value

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days. Yes[X] No []

Check if there is no disclosure of delinquent filers in response to Item 405 of
Regulation S-B is not contained herein, and will not be contained, to the best
or registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB. []

Issuer's revenues for its most recent fiscal year: \$298,653.

At September 29, 2004, the aggregate market value of registrant's Common Stock
held by non-affiliates was \$13,560,766 based on the closing OTC Bulletin Board
bid price of \$0.19 per share on that date.

At September 29, 2004, a total of 71,372,454 shares of registrant's Common Stock
were outstanding.

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This Amendment No.1 to Form 10-KSB/A is filed to include an audit report for the Company's financial statements as to yearend 2003 in Part II, Item 7 - Financial Statements, of the Company's original filing on Form 10-KSB for the year ended June 30, 2004, initially filed with the SEC on October 1, 2005 and on Form 10-KSB/A filed with the SEC on October 13, 2005. In accordance with the rules of the Securities and Exchange Commission, Item 7 is being filed in its entirety. In addition, Item 13 of Part III has been amended to currently date the certifications of the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer and Chief Financial Officer are attached to this Amendment No. 1 as exhibits 31.1 and 31.2, and 32.1 and 32.2, respectively.

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INTRODUCTION

This amendment No. 1 to Quintek Technologies, Inc. annual report on Form 10-K for the fiscal year ended June 30, 2004 is being refilled in its entirety to add

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material contracts that were omitted, to include required detail on matters voted on by security holders and to correct other clerical issues.

ITEM 1 BUSINESS DESCRIPTION

Forward-Looking Statements

This annual report contains certain forward-looking statements within the meaning of section 21 of the Securities Act of 1934, as amended, including statements that indicate what the Company "believes," "expects," and "anticipates" or similar expressions. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to differ materially from those expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date of this annual report. There can be no assurance that the forward looking information contained herein will in fact transpire. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise.

Introduction

Quintek Technologies, Inc. (referred to herein as the "Company", "Quintek", "Our", or "We") is a California corporation. Quintek's corporate headquarters are located at 17951 Lyons Circle, California, 92647. Our contact information at that location is: phone number (714) 848-7741, fax number (714) 848-7701 and our website is www.quintek.com. Our corporate filings with the Securities and Exchange Commission ("SEC") and amendments to these filings, as well as other information is available free of charge at our website soon after such reports are filed electronically with the SEC, or directly on the SEC's website.

Quintek Electronics, Inc., our predecessor company, founded in July 1991, acquired technology, related assets and patent rights to its aperture card business during 1991 and 1992. On January 14, 1999, Quintek Electronics, Inc. was acquired in a merger by Pacific Diagnostics Technologies, Inc. as part of their Chapter 11 Plan of Reorganization, and the surviving entity's name was changed to Quintek Technologies, Inc. Since the merger, Quintek continued to sell its aperture card products and all former operations of Pacific Diagnostics Technologies, Inc. were discontinued. On February 24, 2000, we acquired all of the out standing shares of common stock of Juniper Acquisition Corporation ("Juniper"). Upon effectiveness of that acquisition, Quintek elected to become the successor issuer to Juniper for reporting purposes under the Securities Exchange Act of 1934.

Business Overview

Quintek Technologies, Inc. has been a manufacturer of hardware and software and a service provider to the corporate and public sector markets since 1991. The Company's new division, Quintek Services, Inc. (QSI) delivers Business Process Outsourcing (BPO) services and Information Lifecycle Management (ILM) solutions to document intensive industries such as healthcare and financial services. The solutions and services the Company provides enable organizations to secure and manage their information and document business processes more efficiently.

QSI provides Business Process Outsourcing (BPO) services to Fortune 500, Russell 2000 companies and public sector organizations. Our BPO services range from the digitizing, indexing and uploading of source documents through simple customer-specific, rules-based decision making.

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Quintek Technologies, Inc, sells hardware, software and services for printing large format drawings such as blueprints and CAD files (Computer Aided Design) directly to the microfilm format of aperture cards. Quintek is the only manufacturer of a patented chemical-free desktop microfilm printer for aperture cards.

Recent Business Developments

On February 17, 2004, we announced our Cradle-to-Grave Strategy for providing customer solutions at each stage of the Information Lifecycle from the creation of documents through archival. On March 16, 2004, we announced that as our first step in executing this plan, we hired Bob Brownell as President. Mr. Brownell has more than twenty-five years experience in selling and delivering document management solutions. On March 30, 2004, we announced hiring Chris de Lapp as Senior Sales Executive. In five years with ACS, Mr. de Lapp averaged \$2.75 million a year in sales, consistently exceeding his sales quote. On April 21, 2004, we announced that we would be entering the rapidly expanding Business Process Outsourcing (BPO) market through our new Quintek Services, Inc. (QSI) division. In June, we announced that FedEx Kinko's has selected Quintek as their scanning partner of choice for their Western Region. On August 5, 2004 we announced that a London Investment Company purchased \$2.38 million in Quintek stock. On August 10, 2004 we announced a \$3.3 Million Funding Agreement with Golden Gate Investors.

The growth plans for the Company are focused on its new QSI division. This report will use Quintek and QSI interchangeably. The status of the Chemical-Free Microfilm business is discussed in a section by that name.

Strategy

As companies look to outsource to overseas BPO (Business Process Outsourcing) providers they encounter three problems that Quintek solves. First, finding the right BPO partner is difficult because few overseas BPO providers have an extensive U.S. sales presence. Second, many processes require Information Technology integration and document scanning to be done domestically in order to be performed overseas. Lastly, in the investigative process they often find reasons portions of the process to be outsourced must be done on-site, nearby or within the United States.

Quintek's core competencies are executive level sales skill, BPO (Business Process Outsourcing) project management expertise, specialization in performing high-speed, high-quality document scanning and relationships with all of the partners necessary to deliver a complete solution on and off shore.

Management experience has shown that to sell and deliver a complete BPO solution to a customer, a company must engage a partner or multiple partners during some part of the process of delivering the service. Management has found that profitability in the BPO business comes from specialization. Management believes that the larger companies that attempt to provide all aspects of the BPO solution internally can not compete with Companies like Quintek that offer multi-vendor solutions. Just like Information Technology hardware and software became unbundled into multi-vendor solutions in the 1980's and 1990's, the trend in outsourcing is towards multi-vendor solutions. Quintek has established true partnerships with industry leaders, where we provide important pieces that they do not provide and vice versa, with revenue sharing going both ways.

Quintek will grow rapidly through mutually beneficial business relationships with large organizations that provide a complementary piece of the BPO solution but also require the pieces that Quintek provides. The scope of work for BPO (Business Process Outsourcing) contracts ranges from basic scanning and data entry (Level One BPO) to outsourcing an entire department (Level Five BPO).

Quintek focuses on Level One and Level Two. Level Two BPO is higher margin business than Level One because it requires workers trained in the specific vertical who are able to interpret data. Level Two BPO is more complex data entry from multi-page forms. We plan to build an account and revenue base through performing Level One BPO services domestically and reselling Level Two BPO services from offshore providers.

Our business plan requires us to hire and retain talented staff. Management believes that its Incentive Stock Option plan for salespeople and its Operator Incentive Plan (OIP) for production people have been and will continue to be a powerful tool for hiring and retaining staff. Many of Quintek's competitors are not growth stage companies. Quintek employees understand how their efforts can translate directly into increased shareholder value.

Market Trends

Overall BPO Market

Goldman Sachs estimates the BPO market at potentially \$ 175-210 billion in annual revenue and growing at a CAGR of roughly 20%, more than twice the projected rate for IT spending.

According to an August 2003, Forrester Research report, the US BPO market will expand to \$146 billion in 2008. The report states that "BPO is the first stage in the evolution of process-centric IT." The trend is towards corporations spending more of their IT budgets on services. This provides dramatic costs savings. Rather than companies purchasing hardware, software and labor, they can pay a BPO vendor like Quintek by the claim or by the loan document. In this way they do not carry the cost of infrastructure during unneeded periods.

We expect new companies to take significant roots in this space, apart from established players. Exult and Xchanging are two relatively recent examples.

BPO is the delegation, by the customer, of the operational responsibility for a business process's execution and performance within the customer's environment. It is the recognition that process improvement, not IT technology, has the greatest potential for contribution and that, like IT, depending on the process, that knowledge may not be available internally.

Some of the processes are critical, others are not and some of the critical processes are IT-leverageable, and others are not.

In today's highly competitive, unpredictable and fast-changing marketplace, organizations are challenged with improving productivity and operational efficiency with ever-shrinking budgets. Many executives find that running the enterprise consumes the bulk of their energy. They lack the time and resources to manage non-core, resource-intensive functions properly.

As a result, many organizations are pursuing a Business Process Outsourcing (BPO) strategy that manages these non-strategic business processes. With the right partner, BPO delivers dramatic business value, significant competitive advantage--and peace of mind. Outsourcing operations provides substantial, measurable benefits right away.

Organizations that take advantage of BPO solutions thrive today, even amidst market instability and ever-changing conditions. Allowing BPO suppliers to manage these non-strategic operations provides superior flexibility and makes organizations better able to respond to new and existing business opportunities.

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Among the benefits of a BPO strategy is the ability of the organization to focus on its core competencies--initiatives that bring in revenue and facilitate profitable growth.

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The scope of work for BPO (Business Process Outsourcing) contracts ranges from basic data entry (Level One BPO) to outsourcing an entire department (Level Five BPO). Quintek focuses on Level Two and Level Three. Level Three BPO is higher margin business because it requires complex data capture from multi-page forms done by operators trained in the vertical who are able to analyze data.

BENEFITS OF BUSINESS PROCESS OUTSOURCING

- o Reduce costs--BPO provides quantifiable benefits through improved efficiencies, lower overhead, reduced payroll and benefit expenses, and fewer capital investments.
- o Improve productivity and operational efficiencies--Non-core business processes, such as human resources and finance and accounting, are critical, but also resource-intensive, time-consuming, and costly. Outsourcing improves operational efficiencies and drastically reduces costs without large, up-front capital investments.
- o Allow organizations to focus on their core business--BPO allows organizations to move non-core business processes to a services provider so that they may focus on the more important strategic, revenue-generating programs that create profitable growth and sustain business success.
- o Ensure best practices, skills, and technology--BPO provides access to proprietary workflow systems, process reengineering skills, and innovative staffing and delivery models, combined with world-class technology delivered by experts.
- o Provide access to scalable operations and on-demand resources--BPO provides the flexibility to respond to a rapidly changing marketplace and scale operations up or down as conditions dictate. In a BPO engagement, the BPO partner delivers access to global staff, processes, resources, and technology--wherever and whenever they are needed.
- o Strengthen clients' competitive position--Organizations can leverage a BPO strategy to improve their financial and competitive positions and differentiate themselves from competitors. BPO results in increased customer satisfaction, more efficient operations, access to global capabilities, increased cash flow, and faster time-to-market.

As an example, Jack Welch, past Chairman & CEO of General Electric who delivered 26 consecutive quarters of profitability, said, "70% of our business processes should be outsourced, 70% of which should be offshore, 70% of which should be to India."

Document Management and Imaging Market

In his book, "Business @ The Speed of Thought," Bill Gates writes, "...the paperless office, like artificial intelligence, is one of those 'any day now' phenomena that somehow never seem to actually arrive... paper consumption has continued to double every four years, and 95% of all information in the US

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remains on paper, compared with just 1% stored electronically. Paperwork is increasing faster than digital technology can eliminate it."

According to a report released last week by research firm IDC, the global document management and imaging outsourcing market reached \$13 billion in 2003 and is expected to expand at a compound annual growth rate of 19.7% over the next three years.

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The rapid growth of the document management market has been largely unnoticed by industry watchers because it is manifested very differently from industry to industry, IDC noted. While some industries are simply shifting their efforts from paper to electronic media in order to save money, others, such as the health care industry as part of its Health Insurance Portability and Accountability Act requirements, are attempting to implement cross-company document management standards and technologies.

"Growth in this market is being fueled by the rapid adoption of imaging, document, and content technologies overall, user demand for easy access to documents, as well as the evolving need for imaging and document management within particular vertical segments," said Ron Glaz, director of IDC's digital-imaging solutions and services. "In fact, survey participants indicated that the most important factors in choosing an imaging and document management outsourcing vendor is their track record and specific vertical industry expertise."

Because most BPO processes start by capturing data and organizing it into digital formats, the need for service provider support has exploded. Companies wanting to bring unstructured data on line have been faced with the task of converting this information into electronic form. Unstructured data is considered any media in paper, film, fiche or other forms that are not readily available to the knowledge worker.

Companies electing to image capture their paper documents are turning to service providers as a source of digitizing this information. Outsourcing this business to service providers has proven less expensive than hiring permanent staff. Temporary employees have proven ineffective since conversions are not generally done all at once. Companies attempting to purchase all the necessary equipment to do their work in-house cannot keep up with the changing technologies.

Vertical Markets

Quintek is targeting three vertical markets: Mortgage Processing, Healthcare Claims Processing and Accounts Payable processing.

Home Mortgage Processing

In 2002 mortgage originators funded \$2.787 trillion in loans, in 2003, they funded \$3,810 trillion in loans and, according to the mortgage banker's Association, they forecast that \$2,597 trillion will be funded in 2004 and \$1.823 trillion in 2005. Management believes that 2004 may beat these projections due to the fact that \$890 billion funded in the second quarter of 2004.

Sales of new mortgages and refinancings have been driven by historically low interest rates.

Mortgage transactions are paper intensive. Portfolios of mortgages are traded. Almost every financial services company that generates consumer loans (mortgages, auto, and credit cards) needs to be able to share and exchange

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documents electronically with outside entities when they are selling the loan asset to another organization. Portfolios of mortgages are rated A through C. This rating is significantly influenced by the quality of the title documents, HUD forms, ESCROW documents and other closing documents associated with the initial transaction between the home buyer and the original lender. These documents need to pass efficiently between hundreds of people in and out of these financial institutions.

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Home mortgage companies' primary business is the origination of new loans and refinancings. They are not in the information technology or document management business. They make money by charging transaction related fees and completing these transactions quickly and efficiently with the lowest possible sales and marketing costs. Mortgage companies outsource their document processing for two primary reasons. Both sides of the transaction would like to eliminate the costs associated with copying and shipping paper documents, and reduce the risks associated with exposure to market fluctuations. There is a critical need to minimize the amount of time it takes to complete loan sale transfer activities. Additionally, they outsource this document processing to experts in document imaging so that the portfolios have the highest possible value as based on the legibility of the documentation.

Management believes that Quintek is positioned to grow in this sector as the mortgage industry slows down. In the event that growth contracts, this allows finance companies to address their documentation backlog, which results in sales to Quintek. Additionally, once finance companies have to plan on slower growth, they must also concentrate on lowering costs and outsourcing can become an even higher priority.

Healthcare Claims Processing

The overall healthcare market drives more than \$1.4 trillion in sales. The healthcare market is made up of doctors, hospitals, insurance companies, HMO's, equipment suppliers and service providers. Money flows between doctors, hospital and insurance companies based on the acceptance or rejection of individual health care claims.

A new IDC study released on May 25, 2004 shows that U.S. spending on claims process outsourcing services totaled \$10.1 billion in 2003, a 6.8% growth over 2002. IDC projects that the market (comprised of the commercial healthcare, government healthcare, and insurance industries) will increase to \$15.7 billion in 2008, with a five year compound annual growth rate (CAGR) of 9.1%.

"Despite being a relatively mature market, new growth opportunities are beginning to emerge in the claims process outsourcing market. Early movers are beginning to apply more strategic objectives to outsourcing, and this in turn is helping to drag the claims process outsourcing industry forward, slowly, but surely," said Romala Ravi, program manager, BPO Services.

IDC research indicates that claims process outsourcing, though mature as a concept, is a relatively underpenetrated market. Companies looking to play in this market should set realistic expectations about market demand and adoption, meet demand where it currently exists, grab low-hanging fruit and use these as building blocks towards more comprehensive engagements, and prepare their pursuit teams to speak to and demonstrate both the tactical and strategic benefits of outsourcing.

The two major issues in the heavily regulated health claim industry are service and costs. The health insurance industry is required by law to service their customers. Claims must be paid or denied within regulated timeframes. When claims are not processed within those time limits, expensive penalties are

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invoked. Service timelines are adversely impacted when additional medical records are required. Claim files are pended until requested documents arrive; and documents must be manually matched to the existing file. Complex claims are more likely to be misplaced because they must be routed to medical review specialists, and quality control. As files are sent from one department to the next, it is more difficult to meet service standards, and keep track of processing timeframes. Paper files compound service inefficiencies because documents and files are lost or delayed in routing. Claims service is expensive. When information isn't available to insureds and providers, it causes repeated phone calls, re-submission of claims, and additional work. The service inefficiencies inherent to paper files generate costs and expensive regulatory penalties.

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Accounts Payable Processing

Most large companies can save money by contracting Quintek to outsource back-office functions such as processing their accounts payable. In processing and paying invoices, the focus is on quickly approving payments by extracting data from scanned documents and loading into global, enterprise-wide databases to support decision making such as paying or declining an invoice.

Customers often install and maintain their own Payment Processing Workflow software to review, pay or decline invoices. In order to review and process invoices with such software, the data on the paper invoices has to be scanned, captured and loaded into the client's database or web-based ASP provided by Quintek. Customers outsource this scanning, capturing and loading to Quintek.

Offshore partnerships

To provide Customers with compelling pricing and quality, Quintek electronically delivers work off-shore to India where it is processed and returned to the United States electronically. India is rapidly becoming a leading world supplier of Business Process Outsourcing (BPO) and data conversion services. With the India BPO market growing at a compounded annual growth rate (CAGR) of more than 25 percent, many companies based in the United States are leveraging the compelling advantages of cost, quality and cycle time found in India.

Sales Plan

Overview

Quintek expects to achieve rapid growth by simultaneously establishing customer relationships directly as well as with national sales partners, large prime contractors and vertical-specific solution\brokers. Quintek expects to continue to increase revenues through organic growth, and by quickly establishing a national sales foothold using our compelling incentive stock option plan to attract top sales talent. Quintek expects to continue to expanding to a full national sales staff of thirty-five salespeople, and through strategic acquisitions. Quintek expects to support rapid growth through two internal processes, the Quintek business unit template procedure and the EIP (Employee Incentive Plan).

Service Offerings

High Speed Scanning at Client Site or QSI Production Center

Fortune 500 companies and other large organizations manage documents using Enterprise Content Management (ECM) systems such as OnBase, Documentum or FileNet. These are very large multi-user databases with a web browser interfaces that allow people all over the world to access and interact with document-based content in an organized manner twenty-four hours a day and seven days a week.

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For example, a large financial services company might have an ECM system that can support a world-wide staff of 12,000 employees who need to access 30,000,000 pages of data in Adobe .pdf format.

The scope of work for a High Speed Scanning contract will usually include Quintek receiving paper documents and delivering these documents directly into the customer's Enterprise Content Management (ECM) system. Scanning is the process of converting a paper document into a digital image saved in electronic format such as a TIFF or PDF file. High-end scanners are similar to high-end copiers with sheet feeders, but they output electronic files, not more paper. Quintek must provide the ground transportation and secure facility for processing the documents, the trained staff for processing the documents, the expertise to index, scan and categorize the documents, the expertise to re-assemble the original documents in the format and order they were delivered and the expertise to upload the documents and the indexing into the customer's ECM system. This often has to be done in less than 24 hours from receipt of the document.

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In its current configuration, Quintek's Huntington Beach facility can convert 60,000 images in an eight hour shift and 2,400,000 per month running two shifts. This would result in approximately \$120,000 a month in billings and a gross profit at \$0.05 an image of \$48,000. Upon subsequent financing, with additional equipment and reconfiguration, this facility has the capability of processing 600,000 images in an eight hour shift. Running two shifts at capacity, the facility could process 13,200,000 documents a month.

Domestic/Offshore Data Entry, OCR, and Indexing

Quintek uses manual and OCR (Optical Character Recognition) technologies to create indexing for converted digital images. Indexing of documents facilitates a more efficient means of retrieving critical documents and information for future use.

Quintek has ensured higher Quality Assurance (QA) standards, by utilizing an "Enter - Enter - Compare" process, whereby two separate operators independently index the same document, then compare results using automated systems. If discrepancies are found between the two separate operator versions, the batch is immediately rejected and routed to a senior project manager for rework.. This six sigma Quality Control (QC) process guarantees clients a 99.5% accuracy rate.

Quintek performs this service in-house or offshore. Services are priced by the keystroke. A typical healthcare claim form may require between 400 and 1000 keystrokes. With volumes in the millions, our customers may pay \$0.01- \$0.02 per keystroke. Quintek resells this work to offshore partners that perform this service so that Quintek can make 30% to 60% gross margins.

ASP (Application Service Provider) Hosting of Scanned Images

Once images have been scanned, end-user need an ECM (Enterprise Content Management) system such as Hyland Software's OnBase, Documentum or FileNet to use the documents now in digital formats... For customers that do not want to install and maintain their own ECM system, Quintek resells web-based document hosting ASP services from Quintek's partners such as Hyland Software's OnBase or Iron Mountain's Digital Archives. This provides Quintek's clients the efficient and immediate capability of viewing business critical documents on line. Margins for reselling this service are generally good, between 20% and 30% and contracts for this service usually run for many years.

In House Imaging Solutions (Hardware, Software, and Services)

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For customers that want to use their digital documents on an in-house ECM system, Quintek provides multiple solutions based on the clients' needs. Quintek offers system design, professional services and implementation required hardware and software. This service is sold as hardware and software products at a margin as well as labor to perform the installation. Margins range from 20% to 40% depending on the size of the contract.

Mailroom Outsourcing of Inbound Hardcopy or Electronic Mail

The most efficient solution for a customer is for the customer to outsource the mail handling function to Quintek. Quintek physically retrieves the mail directly from the post office through a P.O. box, sorts, scans and captures key data fields from each document. The scanned images and corresponding data are uploaded directly to the customer's ECM or one of Quintek's ASP (Application Service Provider) partners systems for online viewing by the customer's end user. This service is sold per piece of mail processed. Margins range from 20% to 40% depending on the size of the contract.

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Corporate Identity

Quintek's sales force will be selling the "QSI" brand name. QSI is an acronym for Quintek Services, Inc., a wholly-owned subsidiary of Quintek Technologies, Inc. This document uses QSI and Quintek interchangeably.

Quintek Sales Process

Quintek Value Proposition

The Quintek Value Proposition is that Quintek can significantly reduce our customer's current process overhead. Quintek can change the customer's fixed costs into variable costs and Quintek can deliver a higher quality of service than the customer can achieve internally.

Overcoming Sales Objections

The four main sales objections faced by our sales force are the "upside-down" debt-to-equity ratio on our balance sheet, the Company's limited track record, lack of regional or national coverage and Dun & Bradstreet rating the Company a 4 on a scale of 1 to 5.

The Company responds to these objections as follows. First, the Company has been under new management since 2003 and the historical financials do not represent the capabilities of the current management. The new CEO and CFO of Quintek have collectively raised more than \$20 million in financing for growth-stage companies. Second, the new sales and production team at Quintek has more than 60 years of experience delivering BPO (Business process Outsourcing) to Fortune 500 customers. They have been on board at Quintek since April 2004, so the historical financials do not represent the capabilities of the current management. We encourage our customers to look at the track record of the individuals that now make up the new Quintek. Lastly, the Company forecasts that its financials will be consistently improving over the next two quarters.

The Company forecasts that its debt-to-equity ratio's on its balance sheet will be right-side up and that the "going concern" statement will be removed within the next two quarters. The D&B rating of 4 out of 5 was given when the Company was under previous management and its largest credit line was \$10,000. The Company currently has more than \$300,000 in lease financing. Once the balance sheet is right-side up, the Company will request that D&B re-evaluate its rating.

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Quintek's Target Account Profiles

In the initial stage of Quintek's growth, the sales team is putting 50% of their effort into targeting large, multi-year contracts and 50% of their effort into closing smaller one-time jobs.

Managing rapid revenue growth

Quintek expects to achieve rapid growth by simultaneously establishing customer relationships directly as well as with national sales partners, large prime contractors and vertical-specific solution brokers. Quintek expects to continue to increase revenues through organic growth, and by quickly establishing a national sales foothold using our compelling incentive stock option plan to attract top sales talent.

Quintek expects to continue expanding to a full national sales staff of thirty-five salespeople through hiring and through strategic acquisitions. Quintek will support rapid growth through two internal processes, the Quintek Office Template (QOT) and the EIP (Employee Incentive Plan).

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Direct Sales

Quintek currently has one full-time direct sales person. The Company plans to grow this to a national staff of 35 salespeople. The job of Quintek's direct sales team is to identify prospects before they have reached the RFP (Request for Proposal) stage. The job of Quintek's direct sales team is to know that these proposals are being sent out and to receive and respond to them. These senior salespeople are experienced and paid a base salary and a sales commission commensurate with that experience.

National Sales Partners and Prime Contractors

On June 1, 2004,, Quintek signed a sales partner agreement with FedEx Kinko's. FedEx Kinko's has a national corporate sales team of more than 500 salespeople who call on Fortune 500 accounts selling outsourced print room services. They are often selling related services to the same decision makers as Quintek. With the relationship that has been put in place between FedEx Kinko's and Quintek, FedEx Kinko's can resell Quintek's BPO (Business Process Outsourcing) services. The relationship is structured so that FedEx Kinko's can mark-up Quintek's services by 10-20%.

Quintek's sales team has been training FedEx Kinko's on selling Quintek services. Quintek's sales team responds to requests for information from FedEx Kinko's and assists in drafting proposals. Quintek will pursue one other similar prime contractor relationship and then focus on maintaining and supporting those relationships.

Vertical specific solutions brokers

On April 26, 2004, Quintek signed an agreement with Single Source Partners (SSP). Single Source Partners is a provider of mortgage solutions located in Newport Beach, CA that supplies Business Process Outsourcing (BPO) services in the mortgage industry. SSP is paid by financial institutions to pre-qualify vendors and service providers. SSP also receives a finder's fee from Quintek in the event that Quintek closes a sale with a referral from SSP. SSP and Quintek have identified and are pursuing more than \$60 million in potential business from SSP's client companies.

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Organic growth

Quintek will place a high priority on prospecting within new accounts. Quintek will maximize the high cost of sales by delivering excellence to the customer, identifying and tracking additional opportunities within existing prospects and by winning subsequent work within newly created accounts. Quintek will look to expand geographically by recruiting new business development representatives with existing books of business.

Initial national presence

A key milestone in the Company's business plan will be when the Huntington Beach office reaches break-even and 50% of the National Expansion Financing has been secured. Once this milestone has been achieved, Quintek will hire experienced sales people in the Northeast, Southeast and Midwest. Once one of these sales people has a qualified opportunity that Quintek's executive team believes will close if resources are in place, Quintek expects to fund the necessary resources to close the business. A qualified opportunity in this case would be where Quintek has been short listed for a job that can bill annual revenues of \$1,000,000 with a high probability that it will close if resources such as production space, staff and equipment are in place.

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National expansion through personal relationships

Another key milestone in the Company's business plan will be when 100% of the lease financing and 100% of the National Expansion Financing has been secured. Once this milestone has been reached, Quintek expects to make the necessary investment to complete a national sales staff of 35 salespeople. This will be accomplished either through acquisition or from drawing from the Company's personal network or a combination of the two. In the event of hiring new salespeople in new geographies, the same expansion criteria will be used as before.

Sales Incentive Stock Option Plan

Salespeople receive a stock option bonus for meeting specific revenue goals.

Growth through Strategic Acquisitions

Quintek plans to retain a business broker to help identify compatible acquisition targets. Quintek will focus on acquisition candidates who have binding long-term profitable contracts with financially stable customers. Quintek will pursue equity-based agreements that will not encumber the Company with excessive debt.

Managing Profitability

Quintek's sales people are compensated based on the Gross Profit of the sale. Sales people receive no commission for jobs sold at less than a certain floor Gross Profit percentage. Sales people are provided incentive to maximize Gross Profit.

Managing the Sales Process

Salespeople submit monthly forecasts to the President. The President makes sure that the sales people are focused on the business that makes sense for the company. In Quintek's initial phase this is a balance between large multi-year contracts and small "one-off" jobs. The President makes sure that the sales people are maximizing Quintek's vertical expertise in healthcare and mortgage

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clients. The President is responsible for making sure that Gross Profit margins are being maintained.

The President submits monthly forecasts to the CEO. The CEO submits monthly forecasts of upcoming capital expenditure requirements to the CFO.

Sustaining a Competitive Advantage

High margins in this industry can be delivered by low employee turnover. Quintek's Employee Incentive Program (EIP) enables Quintek to deliver quality service at less cost than its competitors and provides incentive to its employees to be as productive as possible and to stay at Quintek. Quintek's job costing process and technology enables the Company to measure and reward performance on a quarterly basis. In this way we can pay bonuses to production staff based who exceed productivity targets. Since management believes that Quintek's market value will appreciate, the hourly worker's ability to accumulate stock in this manner can be a powerful incentive to deliver performance and stay with the Company.

Verticals

Quintek is targeting three vertical markets, Outsourced Mortgage Processing, Outsourced Healthcare Claims Processing and Outsourced Accounts Payable Processing.

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Outsourced Mortgage Processing

Data accessibility and storage is a challenging operation for today's mortgage firm to handle efficiently. Lenders spend billions of dollars a year on processing account data, evaluating valuable financial information, and storing data records. Quintek's response to this operations challenge is to provide BPO solutions to clients, accurately and economically.

Quintek's imaging and outsourcing methodology provides data entry, document scanning, mailing operations, and media to media conversions to financial institutions at a fraction of their current operating costs. By lowering the cost to process the average loan through Quintek's services, millions could be saved annually by institutional lenders, thus increasing overall revenue.

Management believes that Quintek's addressable national market for outsourced mortgage processing is between \$5 billion and \$10 billion. A significant percentage of ACS (NYSE:ACS), SourceCorp (NASDAQ:SRCP) and EDS (NYSE:EDS) revenue comes from outsourced mortgage processing. Management believes that Quintek will continue to win new business in this vertical even if interest rates go up due to the increased need to deliver cost savings.

Outsourced Healthcare Claims Processing

Management believes that Quintek's addressable national market for outsourced healthcare claims processing is in excess of \$10 billion. Management believes that there are no foreseeable market trends that could reduce demand for these services in the foreseeable future.

Sales Partnerships

FedEx Kinko's

On June 1, 2004, Quintek signed a sales agreement with FedEx Kinko's, a division of FedEx Corp. (NYSE:FDX). FedEx Kinko's selected Quintek Services, Inc. (QSI),

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as their preferred Document Imaging & Document Scanning partner for Kinko's Western Region. The partnership also allows the two companies to offer back office outsourcing arrangements to deliver accuracy and efficiency. Quintek's services are a value added upsell to the Kinko's core LOB (Line of Business). The joint business development strategy will primarily focus on active document digitizing as well as back-file conversions in the insurance, healthcare, government and financial market space. This partnership provides clients a "single source" partner by combining back office outsourcing solutions, professional services and document conversion services.

FedEx Kinko's sales team is reselling the following Quintek services; (1) High Speed Scanning at Client Site or QSI Production Center, (2) Domestic/Offshore Data Entry, OCR, and Indexing, (3) ASP Hosting of Scanned Images, (4) In House Imaging Solutions (Hardware, Software, and Services), (5) Mailroom Outsourcing (Inbound).

The next steps to move this relationship forward are training Kinko's sales team and expanding Quintek's footprint to partner with Kinko's nationally.

Single Source Partners (SSP)

On April 26, 2004, Quintek signed an agreement with Single Source Partners (SSP). Single Source Partners is a provider of mortgage solutions located in Newport Beach, CA that supplies Business Process Outsourcing (BPO) services in the mortgage industry. SSP is paid by financial institutions to pre-qualify vendors and service providers. SSP also receives a finder's fee from Quintek in the event that Quintek closes a sale with a referral from SSP. SSP and Quintek have identified and are pursuing more than \$60 million in potential business from SSP's client companies.

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SSP provides small and midsize mortgage companies with negotiated volume pricing and special service level agreements. SSP maintains a "Best in Class" vendor team for their clients. Single Source Partners receives a portion of the revenue that Quintek bills from a referred client. More information on Single Source Partners is available at www.singlesourcepartners.com. The next steps to move this relationship forward are training at Single Source Partners and expanding Quintek's footprint to be positioned to serve SSP's customers nationally.

GCAP Services, Inc. (GCAP)

GCAP is a management consulting firm headquartered in Irvine, CA that provides Business Process and Systems Redesign solutions to the Federal, State and Local Government sector. Together, Quintek and GCAP provide a total end-to-end solution in document management conversions for government clients.

GCAP provides executive, strategic and tactical management consulting services. They assist Federal government and public agencies to meet compliance requirements by the design and implementation of business systems and the establishment of new or streamlined procedures.

A partial list of client that GCAP Services may be able to introduce to Quintek includes County of Orange-California, Judicial Council of California - Administrative Office of the Courts, Los Angeles County Metropolitan Transportation Authority, Los Angeles City Community Redevelopment Agency, Los Angeles County Department of Public Works, United States Navy - Naval Facility Engineering Command. More information about GCAP Services can be found at www.gcapservices.com. The next steps to move this relationship forward are training at GCAP and expanding Quintek's footprint to be positioned to serve GCAP's customers nationally.

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Iron Mountain

On May 4, 2004, Quintek signed an agreement to become a Certified Imaging Partner with Iron Mountain, a leading provider of Web based document hosting solutions, to provide QSI clients the efficient and immediate capability of viewing business critical documents online.

Iron Mountain Incorporated (NYSE:IRM) provides outsourced records and information management services and has a market capitalization of \$4 billion with 2003 revenues of \$1.5 billion. The company services more than 200,000 customer accounts throughout the United States, Canada, Europe and Latin America. Iron Mountain offers records management services for both physical and digital media, disaster recovery support services, and consulting.

This agreement with Iron Mountain primarily offers the Iron Mountain salesforce Quintek's BPO services while enabling Quintek to resell web-based document hosting ASP services, which provide Quintek's clients the efficient and immediate capability of viewing business critical documents on line.

The next step with Iron Mountain is to convince their senior management to select QSI as the preferred imaging partner in Southern California. Management believes that additional investment is necessary to expand the capabilities at our Huntington Beach facility before this relationship can move forward.

Examples of Customer Contracts

The scope of work for BPO (Business Process Outsourcing) contracts ranges from basic data entry (Level One BPO) to outsourcing an entire department (Level Five BPO). Quintek focuses on Level Two and Level Three. Level Three BPO is higher margin business because it requires complex data capture from multi-page forms done by operators trained in the vertical who are able to analyze data.

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Mortgage Processing

Mortgage companies may outsource their document process to one or more vendors.

Financial institutions manage documents using Enterprise Content Management (ECM) systems such as OnBase, Documentum or FileNet. These are very large enterprise wide networks utilizing web browser interfaces that allow people all over the world to access and interact with document based repositories in up to 20 language. For example, a large financial services company might have an ECM system that can support a world-wide staff of 12,000 employees who need to access 30,000,000 pages of data in Adobe .pdf format.

The scope of work for a Mortgage Processing contract will usually include Quintek receiving paper documents and delivering these documents directly into the customer's Enterprise Content Management (ECM) system. Quintek must provide the transportation and secure facility for processing the documents, the trained staff for processing the documents, the expertise to index, scan and categorize the documents, the expertise to re-assemble the original documents in their original order and the expertise to upload the documents and the indexing into the customer's ECM system. This often has to be done in less than 24 hours from receipt of the document.

These ECM systems require constant, large scale document processing to input and upload new paper documents. Mortgage companies that decide to outsource send out Requests for Proposals (RFP's). The job of the Quintek sales team is to identify prospects before they have reached the RFP stage and to receive and respond to these RFP's. Quintek prices these jobs by the committed image. A committed image

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is an image that has been uploaded into the customer's database and written to their mass storage system.

Healthcare Claims Processing

With mortgage documentation the focus is on having digital "copies" of the original loan documents all throughout the proc